

PERAC AUDIT REPORT



Falmouth Contributory Retirement System

JAN. 1, 2001 - DEC. 31, 2003 / PERAC 03: 11-036-26



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

April 27, 2005

The Public Employee Retirement Administration Commission has completed an examination of the **Falmouth** Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, **2001** to December 31, **2003**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Mary Dundas and Martin Feeney who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



Falmouth Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

1. Cash Reconciliation:

a. As reported in the last audit, the Treasurer does not reconcile bank balances to general ledger balances. As a result, general ledger balances are out of agreement with “reconciled” bank balances by approximately \$1,000 at the end of the audit period.

b. A review of the bank reconciliations for 12/31/03 revealed eighteen items unpaid for more than six months. These outstanding items totaled approximately \$1,900.

Recommendation:

a. The Treasurer has a fiduciary responsibility for the care and custody of retirement funds as outlined in G.L. c. 32, § 23(2)(a). Bank statements must be: reconciled to the System’s general ledger monthly, reviewed by the Treasurer and the Administrator, and approved by the Board at the subsequent meeting.

b. Any uncashed items older than six months should be researched, so that the proper voiding and recording of these items can be completed.

Board Response:

Since October of 2004, the Town Treasurer has provided the Retirement Board with the previous month’s bank reconciliation, bank statement, a cleared check list and an outstanding check list. The Retirement Board staff compares that information with Retirement Board’s monthly disbursements and receipts spreadsheets to identify any differences. Retirement Board staff shares the spreadsheets with the Treasurer and works with her to ensure that records are in agreement. Beginning in March the Administrator will reconcile the System’s monthly general ledger to the bank statements. The Administrator’s reconciliation will be shared with the Treasurer.

In August of 2004, Retirement Board staff began researching outstanding checks covering the period of time from 2000 to 2003. The majority of those checks were reissued and the number of aging outstanding checks decreased. As of March 31, 2005 less than \$555.00 remains outstanding. A designated Retirement Board staff continues to research those checks and is working closely with the Treasurer’s office to resolve the remaining outstanding checks. From March forward, each month the outstanding check list will be reviewed for any outstanding check of six months and will be taken care of at that time.

2. Minutes:

a. At the time of this audit (11/04 – 1/05), the Board had neither approved nor signed permanent accounts of meetings in two-and-a-half years. This practice has led to members signing minutes of meetings that they did not attend and, in several instances, were not on the

Falmouth Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONT'D)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

Board. Draft versions and accompanying notes have been completed for most of the interim period and have been preliminarily approved by the Board, although drafts are missing for seven meetings held during 2004.

- b. The Board has not maintained records of all of its executive sessions.

Recommendation:

- a. As the official recording of the Board's actions, the minutes must be completed and maintained in a manner that ensures their completeness, creates a permanent record, and leaves no question as to their accuracy. The Administrator should have the minutes of a meeting prepared for approval by the Board at the subsequent meeting. The Board must now review final copies of the minutes retroactive to June of 2002 and vote to accept them as permanent records.
- b. The Board is required to record the minutes of all executive sessions in accordance with 840 CMR 6.12(2), 10.12(3)(e), and G.L. c. 32, § 20(5).

Board Response:

All Board meeting minutes from 2005 have been approved. The Retirement Board staff will continue to review drafts of the minutes of Board Meetings retroactive to June 2002 to ensure accuracy against the tapes of those meetings. The staff will then seek Board approval to accept those minutes as permanent records. The Retirement Board staff will ensure that the appropriate Board Members sign the Board minutes.

The Administrator will have the minutes of the previous Board Meeting available to Board Members prior to the subsequent Board meeting where the Board will vote on approving the minutes and signing the minutes. If a Board Member is not present at the subsequent Board meeting, the staff will get his or her signature within one week of the Board meeting.

Beginning with the March 31, 2005 Board Meeting and continuing forward, the Administrator will record the minutes of executive sessions in accordance with 840 CMR 6.12 (2), 10.12 (3) (e), and G.L. c. 32, Section 20(5).

3. Accounting:

- a. The 2001 annual statement was filed with PERAC on 12/18/02, some eight months late. The 2002 annual statement was filed on 8/27/03, some four months late. At the end of this audit (1/14/05), the 2003 annual statement had not been filed. The required monthly cashbook submissions to PERAC were also found to be in arrears by seven months.

Falmouth Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONT'D)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

b. In March of 2004, PERAC auditors issued a letter and met with the Board to request that the Board file a revised annual statement for 2002. This requirement was based on the significance of accounting errors that outside auditors found in the investments. This revised statement has not been submitted.

c. The System's accounting records and general ledger balances for 2003 are not supported by supplemental documentation or schedules. A draft annual statement for 2003 revealed discrepancies between the System's general ledger and corresponding investment schedules. Erroneous ledger entries were uncorrected at the end of this audit.

Recommendation:

a. Processes regarding timely month-end closings must be adhered to. The span of time between actual transactions and their recording in the system gives reason for accuracy concerns. 840 CMR 4.03 itemizes PERAC's reporting requirements, and the schedule set for their submission. Accounting submissions must be brought current in an expeditious manner or the Board may be subjected to the provisions outlined in 840 CMR 4.04, Failure to File Financial Reports.

b. The Board must immediately file a revised 2002 annual statement.

c. Errors identified by this audit team as well as an independent audit team must be addressed and corrected prior to submission of the 2003 annual statement.

Board Response:

The Falmouth Retirement Board has hired an Interim Director who will ensure that the Board is complying with 840 CMR 4.00. As such, timely recording of all transactions will occur and timely month-end closings will be adhered to.

The Falmouth Retirement Board will submit a revised 2002 annual statement within 15 days of this letter. Additionally, the errors that were identified by PERAC and the Falmouth Retirement Board's independent auditors will be addressed and corrected prior to submission of the 2003 annual statement.

4. Pension Appropriations:

One half of the Town's appropriation payment for fiscal year 2003 was erroneously classified as investment income, effectively overstating the System's earnings for 2002.

Falmouth Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONT'D)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

Recommendation:

A correcting journal entry must be made in the current year and include this \$1.2 million adjustment in the revised annual statement previously required for 2002.

Board Response:

A correcting journal entry will be made in the current year and the \$1.2 million will be included in the revised 2002 annual statement (as noted in the above section).

5. Expenses:

Various expenses were reviewed and documentation traced to the general ledger to ensure that the proper approval had been obtained and the correct accounts had been charged. With the exception of management fees, the appropriate documentation was found and ledger entries appeared correct. Warrants demonstrating Board approval were not on file for management fees, which are normally paid by bank transfer. Additionally, bank transmittal documentation could not be found.

Recommendation:

Board approval for all expenditures must be documented and bank transmittal information included as part of the disbursement records.

Board Response:

The Retirement Board staff will include the management fees on Board agendas for the Board's approval. Appropriate bank transmittal information will be included with the sign off on the wire payment.

6. Membership:

Examination of payroll records showed that the Board is not currently receiving adequate information with which to ascertain the accuracy of members' deductions. Reports lacked fundamental detail as to what pay categories were considered subject or not subject to retirement deductions and were insufficient to determine that contributions were only taken from regular compensation. Reports submitted to the retirement office only identify members' names, wages, and contribution amounts. As a result of the reporting system in place, verification of the contribution amount is not possible.

Recommendation:

The Board should initiate a system of obtaining detailed payroll information from each unit, which includes the following member information:

Falmouth Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONT'D)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

1. Name,
2. Social Security or employee number,
3. Membership date,
4. Contribution rate,
5. Compensation by type: total, regular, overtime, other,
6. Regular and 2% incremental deductions,
7. Any other information deemed appropriate.

This data should be reviewed by the appropriate personnel to ensure that proper deductions are being withheld.

An assessment of the various pay categories should be performed in conjunction with payroll personnel from each department to further ensure that the appropriate pay types are considered regular compensation.

Recommendation:

Board staff should annually receive a listing of personnel who do not contribute to the Retirement System to verify accuracy in that respect.

Board Response:

The Retirement Board staff has worked with the Information Technology Department (ITD) of the Town of Falmouth and as of April 29, 2005 will receive a monthly report from ITD listing each Town of Falmouth employee who does not contribute to the Retirement System. The report will also indicate the reason why the employee is not contributing to the System.

7. Current Retirees:

- a. The Board is calculating the three-year average salary from recorded deduction amounts. If the Board is not receiving the detailed payroll information mentioned above, the deductions may be in error, thereby generating an incorrect average salary.
- b. Instances were found in which retirees were being overpaid by small amounts.

Recommendation:

- a. The Board must receive the detailed payroll information stated above in order to ensure proper calculation of a member's average salary.
- b. Adjustments must be made to correct overpayments.

Falmouth Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONT'D)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

Board Response:

As of March 15, 2005, Retirement Board staff verifies the three-year average salary of a retiree from detailed payroll information through the Town of Falmouth's payroll system. The staff has access to the payroll system and will include the detailed payroll information in each retiree's file.

The Board is reviewing the retirements of those individuals who received slighter higher retirement allowances and will make the necessary adjustments.

8. Contracts:

Contracts for companies providing investment advice to the Board were reviewed. The contracts appeared to have been properly executed by the Board. However, as reported in the last audit, the following items could not always be located: current ADV statements; letters stating manager, custodian, or consultant is a fiduciary for funds invested by Board; and documents relating to requests for proposals for commission recapture.

Recommendation:

A procurement file should be established for each manager, consultant, custodian, and other vendors as outlined in 840CMR 16.08. We recommend that this file include copies of relevant minutes; copies of notices for RFP's (classified ads, web postings, etc...); executed contracts, subscription agreements, amendments, and exhibits; disclosure statements; current ADV forms; and statements acknowledging fiduciary responsibility for funds invested by the Board, if not so stated in contract or agreement.

Board Response:

The Board will establish a procurement file for each manager, consultant, custodian, and other vendors as outlined in 840 CMR 16.08 The file will include copies of the relevant minutes, Requests For Proposal notices, executed contracts, disclosure statements, current ADV forms and statement acknowledging fiduciary responsibility for funds invested by the Board.

Final Determination:

PERAC auditors will follow up in six months to ensure that the appropriate actions have been taken regarding all audit findings.

Falmouth Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2003**

| FOR THE PERIOD ENDING DECEMBER 31, | | | |
|---|----------------------------|----------------------------|----------------------------|
| ASSETS | 2003 | 2002 | 2001 |
| Cash | \$4,023,636 | \$4,401,095 | \$3,168,314 |
| Short Term Investments | 0 | | 1,247,420 |
| Fixed Income Securities (at book value) | 14,647,612 | 15,007,790 | 14,589,660 |
| Equities | 25,338,211 | 19,179,910 | 24,818,559 |
| Pooled Short Term Funds | | | |
| Pooled Domestic Equity Funds | | | |
| Pooled International Equity Funds | 8,508,644 | 6,212,062 | 6,788,041 |
| Pooled Global Equity Funds | | | |
| Pooled Domestic Fixed Income Funds | | | |
| Pooled International Fixed Income Funds | | | |
| Pooled Global Fixed Income Funds | | | |
| Pooled Alternative Investment Funds | 1,456,056 | 554,517 | 320,582 |
| Pooled Real Estate Funds | 5,080,969 | 4,752,794 | 4,938,164 |
| Pooled Domestic Balanced Funds | | | |
| Pooled International Balanced Funds | | | |
| PRIT Cash Fund | | | |
| PRIT Core Fund | | | |
| Interest Due and Accrued | 132,457 | 133,914 | 227,177 |
| Accounts Receivable | 1,424,297 | 1,393,872 | 1,505,637 |
| Accounts Payable | | | |
| TOTAL | <u>\$60,611,882</u> | <u>\$51,635,954</u> | <u>\$57,603,554</u> |
| FUND BALANCES | | | |
| Annuity Savings Fund | \$17,271,132 | \$16,279,387 | \$15,406,051 |
| Annuity Reserve Fund | 5,185,631 | 4,586,332 | 4,159,333 |
| Pension Fund | 6,175,063 | 7,658,627 | 9,681,637 |
| Military Service Fund | 0 | 0 | 0 |
| Expense Fund | 0 | 0 | 0 |
| Pension Reserve Fund | 31,980,056 | 23,111,607 | 28,356,533 |
| TOTAL | <u>\$60,611,882</u> | <u>\$51,635,954</u> | <u>\$57,603,554</u> |

Falmouth Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2003**

| | Annuity Savings Fund | Annuity Reserve Fund | Pension Fund | Military Service Fund | Expense Fund | Pension Reserve Fund | Total All Funds |
|---------------------------------|-------------------------------------|-------------------------------------|---------------------------|--------------------------------------|-------------------------|-------------------------------------|--------------------------------|
| Beginning Balance (2001) | \$14,062,752 | \$4,031,490 | \$10,285,633 | \$0 | \$0 | \$28,141,207 | \$56,521,082 |
| Receipts | 2,026,325 | 120,166 | 2,654,547 | 0 | 490,660 | 214,868 | \$5,506,566 |
| Interfund Transfers | (491,696) | 491,239 | | | | 458 | (\$0) |
| Disbursements | (191,330) | (483,562) | (3,258,543) | 0 | (490,660) | 0 | (\$4,424,094) |
| Ending Balance (2001) | 15,406,051 | 4,159,333 | 9,681,637 | 0 | 0 | 28,356,533 | \$57,603,554 |
| Receipts | 2,099,794 | 130,044 | 1,525,936 | 0 | 870,816 | (5,244,925) | (\$618,336) |
| Interfund Transfers | (814,592) | 814,592 | | | | | \$0 |
| Disbursements | (411,865) | (517,638) | (3,548,945) | 0 | (870,816) | 0 | (\$5,349,264) |
| Ending Balance (2002) | <u>\$16,279,387</u> | <u>\$4,586,332</u> | <u>\$7,658,627</u> | <u>\$0</u> | <u>\$0</u> | <u>\$23,111,607</u> | \$51,635,954 |
| Receipts | 2,216,592 | 154,141 | 2,723,129 | 0 | 238,020 | 8,868,448 | \$14,200,331 |
| Interfund Transfers | (1,025,457) | 1,025,452 | 5 | | | | \$0 |
| Disbursements | (199,391) | (580,293) | (4,206,699) | 0 | (238,020) | 0 | (\$5,224,403) |
| Ending Balance (2003) | <u>\$17,271,132</u> | <u>\$5,185,631</u> | <u>\$6,175,063</u> | <u>\$0</u> | <u>\$0</u> | <u>\$31,980,056</u> | \$60,611,882 |

Falmouth Retirement System

STATEMENT OF RECEIPTS

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2003**

| | FOR THE PERIOD ENDING DECEMBER 31, | | |
|--|---|---------------------------|---------------------------|
| | 2003 | 2002 | 2001 |
| Annuity Savings Fund: | | | |
| Members Deductions | \$1,896,148 | \$1,734,891 | \$1,590,751 |
| Transfers from other Systems | 91,060 | 113,919 | 119,901 |
| Member Make Up Payments and Redeposits | 76,565 | 44,273 | 56,599 |
| Investment Income Credited to Member Accounts | <u>152,820</u> | <u>206,711</u> | <u>259,075</u> |
| Sub Total | <u>2,216,592</u> | <u>2,099,794</u> | <u>2,026,325</u> |
| Annuity Reserve Fund: | | | |
| Investment Income Credited Annuity Reserve Fund | <u>154,141</u> | <u>130,044</u> | <u>120,166</u> |
| Pension Fund: | | | |
| 3 (8) (c) Reimbursements from Other Systems | 59,824 | 79,658 | 82,749 |
| Received from Commonwealth for COLA and Survivor Benefits | 0 | 140,773 | 281,547 |
| Pension Fund Appropriation | <u>2,663,305</u> | <u>1,305,504</u> | <u>2,290,251</u> |
| Sub Total | <u>2,723,129</u> | <u>1,525,936</u> | <u>2,654,547</u> |
| Military Service Fund: | | | |
| Contribution Received from Municipality on Account of Military Service | 0 | 0 | 0 |
| Investment Income Credited Military Service Fund | <u>0</u> | <u>0</u> | <u>0</u> |
| Sub Total | <u>0</u> | <u>0</u> | <u>0</u> |
| Expense Fund: | | | |
| Expense Fund Appropriation | 0 | 0 | 0 |
| Investment Income Credited to Expense Fund | <u>238,020</u> | <u>870,816</u> | <u>490,660</u> |
| Sub Total | <u>238,020</u> | <u>870,816</u> | <u>490,660</u> |
| Pension Reserve Fund: | | | |
| Federal Grant Reimbursement | 37,895 | 43,225 | 33,236 |
| Pension Reserve Appropriation | 0 | 0 | 0 |
| Interest Not Refunded | 2,744 | 3,811 | 5,470 |
| Excess Investment Income | <u>8,827,810</u> | <u>(5,291,962)</u> | <u>176,161</u> |
| Sub Total | <u>8,868,448</u> | <u>(5,244,925)</u> | <u>214,868</u> |
| TOTAL RECEIPTS | <u>\$14,200,331</u> | <u>(\$618,336)</u> | <u>\$5,506,566</u> |

Falmouth Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2003**

| FOR THE PERIOD ENDING DECEMBER 31, | | | |
|--|---------------------------|---------------------------|---------------------------|
| Annuity Savings Fund: | 2003 | 2002 | 2001 |
| Refunds to Members | \$171,838 | \$240,217 | \$141,116 |
| Transfers to other Systems | <u>27,553</u> | <u>171,648</u> | <u>50,214</u> |
| Sub Total | <u>199,391</u> | <u>411,865</u> | <u>191,330</u> |
| Annuity Reserve Fund: | | | |
| Annuities Paid | 574,469 | 508,048 | 455,569 |
| Option B Refunds | <u>5,825</u> | <u>9,590</u> | <u>27,993</u> |
| Sub Total | <u>580,293</u> | <u>517,638</u> | <u>483,562</u> |
| Pension Fund: | | | |
| Pensions Paid | | | |
| Regular Pension Payments | 2,925,546 | 2,430,921 | 2,310,705 |
| Survivorship Payments | 171,280 | 148,825 | 113,416 |
| Ordinary Disability Payments | 129,813 | 128,134 | 57,946 |
| Accidental Disability Payments | 855,683 | 698,116 | 620,621 |
| Accidental Death Payments | 53,015 | 51,935 | 50,855 |
| Section 101 Benefits | 46,614 | 32,136 | 27,723 |
| 3 (8) (c) Reimbursements to Other Systems | 24,748 | 58,879 | 77,276 |
| State Reimbursable COLA's Paid | 0 | 0 | 0 |
| Chapter 389 Beneficiary Increase Paid | <u>0</u> | <u>0</u> | <u>0</u> |
| Sub Total | <u>4,206,699</u> | <u>3,548,945</u> | <u>3,258,543</u> |
| Military Service Fund: | | | |
| Return to Municipality for Members Who Withdrew Their Funds | <u>0</u> | <u>0</u> | <u>0</u> |
| Expense Fund: | | | |
| Board Member Stipend | 0 | 0 | 0 |
| Salaries | 133,377 | 112,169 | 94,635 |
| Legal Expenses | 1,857 | 2,855 | 3,422 |
| Medical Expenses | 305 | 266 | 45 |
| Travel Expenses | 921 | 601 | 1,499 |
| Administrative Expenses | 30,520 | 33,085 | 24,124 |
| Furniture and Equipment | 9,359 | 15,854 | 2,505 |
| Management Fees | (31,312) | 640,873 | 290,210 |
| Custodial Fees | 51,120 | 25,112 | 34,220 |
| Consultant Fees | <u>41,875</u> | <u>40,000</u> | <u>40,000</u> |
| Sub Total | <u>238,020</u> | <u>870,816</u> | <u>490,660</u> |
| TOTAL DISBURSEMENTS | <u>\$5,224,403</u> | <u>\$5,349,264</u> | <u>\$4,424,094</u> |

Falmouth Retirement System

INVESTMENT INCOME

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2003**

| | FOR THE PERIOD ENDING DECEMBER 31, | | |
|--|------------------------------------|-----------------------------|-------------------------|
| | 2003 | 2002 | 2001 |
| Investment Income Received From: | | | |
| Cash | 35,892 | 1,383,473 | 185,032 |
| Short Term Investments | 0 | 0 | 0 |
| Fixed Income | 998,047 | 1,068,350 | 1,336,154 |
| Equities | 286,228 | 275,131 | 428,939 |
| Pooled or Mutual Funds | 366,416 | 331,749 | 120,639 |
| Commission Recapture | 7,268 | 10,588 | 0 |
| TOTAL INVESTMENT INCOME | <u>1,693,851</u> | <u>3,069,290</u> | <u>2,070,764</u> |
| Plus: | | | |
| Increase in Amortization of Fixed Income Securities | 0 | 0 | 0 |
| Realized Gains | 2,405,206 | 1,678,795 | 1,957,438 |
| Unrealized Gains | 8,712,629 | 2,725,375 | 3,643,039 |
| Interest Due and Accrued on Fixed Income Securities - Current Year | 132,457 | 133,914 | 227,177 |
| Sub Total | <u>11,250,293</u> | <u>4,538,083</u> | <u>5,827,655</u> |
| Less: | | | |
| Decrease in Amortization of Fixed Income Securities | 0 | 0 | 0 |
| Paid Accrued Interest on Fixed Income Securities | 153,013 | 116,136 | 117,832 |
| Realized Loss | 1,866,011 | 4,869,174 | 2,594,910 |
| Unrealized Loss | 1,341,743 | 6,479,277 | 3,898,246 |
| Custodial Fees Paid | 0 | 0 | 0 |
| Consultant Fees Paid | 0 | 0 | 0 |
| Management Fees Paid | 0 | 0 | 0 |
| Board Member Stipend | 0 | 0 | 0 |
| Interest Due and Accrued on Fixed Income Securities - Prior Year | 133,914 | 227,177 | 241,370 |
| Sub Total | <u>3,494,681</u> | <u>11,691,764</u> | <u>6,852,357</u> |
| NET INVESTMENT INCOME | <u>9,449,462</u> | <u>(4,084,391)</u> | <u>1,046,061</u> |
| Income Required: | | | |
| Annuity Savings Fund | 152,820 | 206,711 | 259,075 |
| Annuity Reserve Fund | 154,141 | 130,044 | 120,166 |
| Military Service Fund | 0 | 0 | 0 |
| Expense Fund | 238,020 | 870,816 | 490,660 |
| TOTAL INCOME REQUIRED | <u>544,981</u> | <u>1,207,571</u> | <u>869,901</u> |
| Net Investment Income | <u>9,449,462</u> | <u>(4,084,391)</u> | <u>1,046,061</u> |
| Less: Total Income Required | <u>544,981</u> | <u>1,207,571</u> | <u>869,901</u> |
| EXCESS INCOME TO THE PENSION RESERVE FUND | <u>\$8,904,481</u> | <u>(\$5,291,962)</u> | <u>\$176,161</u> |

Falmouth Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

| | MARKET VALUE | PERCENTAGE OF TOTAL ASSETS | PERCENTAGE ALLOWED* | |
|---|----------------------------|---|--------------------------------|--|
| Cash | \$4,023,636 | 6.81% | 100 | |
| Short Term | 0 | 0.00% | 100 | |
| Fixed Income | 14,647,612 | 24.80% | 45 | |
| Equities | 25,338,211 | 42.91% | 45 | |
| Pooled Short Term Funds | 0 | 0.00% | | |
| Pooled Domestic Equity Funds | 0 | 0.00% | | |
| Pooled International Equity Funds | 8,508,644 | 14.41% | 20 | |
| Pooled Global Equity Funds | 0 | 0.00% | | |
| Pooled Domestic Fixed Income Funds | 0 | 0.00% | | |
| Pooled International Fixed Income Funds | 0 | 0.00% | | |
| Pooled Global Fixed Income Funds | 0 | 0.00% | | |
| Pooled Alternative Investment Funds | 1,456,056 | 2.47% | 5 | |
| Pooled Real Estate Funds | 5,080,969 | 8.60% | 10 | |
| Pooled Domestic Balanced Funds | 0 | 0.00% | | |
| Pooled International Balanced Funds | 0 | 0.00% | | |
| PRIT Cash Fund | 0 | 0.00% | | |
| PRIT Core Fund | 0 | 0.00% | 100 | |
| GRAND TOTALS | <u>\$59,055,128</u> | <u>100.00%</u> | | |

For the year ending December 31, **2003**, the rate of return for the investments of the **Falmouth** Retirement System was 20.87%. For the five-year period ending December 31, **2003**, the rate of return for the investments of the **Falmouth** Retirement System averaged 4.16%. For the nineteen-year period ending December 31, **2003**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Falmouth** Retirement System was 11.19%.

Falmouth Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

The **Falmouth** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

March 27, 1991

20.04 All investments shall consist of recognized quality marketable securities issued by:

- (1) United States based corporations and fixed income and equity securities of non-U.S. based corporations, provided that:
 - (a) all such fixed income securities are denominated in U.S. currency and issued and traded in U.S. markets and provided further that the total of all such fixed income securities shall be considered part of the board's fixed income asset allocation and shall not exceed 10% of the total market value of the fixed income portfolio; and
 - (b) all such equity securities are denominated in U.S. currency and issued and traded in U.S. markets and provided further that the total of such equity securities shall be considered part of the board's equity asset allocation and shall not exceed 10% of the total market value of the equity portfolio.

February 18, 1993

20.03(1) Equity investments shall not exceed 65% of the total book value of the portfolio at the time of purchase.

October 19, 1995

18.02(4) **Rate of Return.** A statement of the rate of return objective for the entire portfolio which shall be at least one percent (100 basis points) greater than a composite performance index consisting of 55% of the Standard and Poors "500" Stock Index and 45% of the Shearson Lehman Government/Corporate Bond Index, cumulated quarterly.

August 8, 1996

16.02(3) The board may incur expenses for investment advice or management of the funds of the system by a qualified investment manager and the board may incur expenses for consulting services. Such expenses may be charged against earned income from investments provided that the total of such expenses shall not exceed in any one year:

- (a) 1% of the value of the fund for the first \$5 million, and
- (b) 0.5% of the value of the fund in excess of \$5 million.

Falmouth Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

May 1, 2000

16.08 In accordance with PERAC Investment Guideline 99-2, the Falmouth Retirement Board may modify its fixed income mandate with Freedom Capital Management to allow the opportunistic investment of up to 15% of the account in high-yield securities. The Board wishes to have exposure to this sub-class and has had a satisfactory relationship with Freedom Capital for over two years as its fixed income manager.

August 8, 2000

16.08 In accordance with PERAC Investment Guideline 99-2, the Falmouth Retirement Board may modify its investment mandate with Cutler & Company, its domestic large cap equity manager, to allow for the opportunistic use of mid cap equities when and as deemed appropriate by the manager. The Board has had a successful relationship with Cutler & Company since 1997 and is confident, based on the manager's performance record, that it can effectively accomplish the modified, slightly expanded, mandate.

August 31, 2001

16.08 In accordance with PERAC Investment Guideline 99-2, the Falmouth Retirement System is modifying its international growth equity mandate with State Street Global Advisors to allow for securities lending. There is no change in the fund's investment strategy, investment universe, or benchmark. The Board understands and is comfortable with the practice of securities lending and is satisfied with State Street Bank's capabilities in this area.

October 12, 2001

17.04(1)(c) Exemption of the Board and INVESCO from the second sentence of 840 CMR 17.04(1)(c) –This Regulation deals with the use of non-public information by managers and consultants. PERAC recognizes that, in making the investments contemplated by the INVESCO Funds delineated above, that sentence, which prohibits action until information is publicly disseminated, represents an undue burden on the ability of the Partnerships to operate. Consequently, the Falmouth Retirement Board's request as it applies to 840 CMR 17.04(1)(c) is approved.

Falmouth Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

October 12, 2001 (continued)

- 17.04(6) Exemption of the Board and INVESCO from 840 CMR 17.04(6), except as otherwise provided for in the Partnership Agreement and/or as disclosed in INVESCO's Form ADV – This Regulation deals with the Priority of Transactions and an investment manager's obligation to prioritize board transactions and provide the board with the opportunity to act prior to the manager acting, if applicable. PERAC recognizes that this Regulation may impede the ability of partnerships such as INVESCO's to operate. Upon receipt of a copy of the provisions of the Partnership Agreement and/or disclosures in the INVESCO Form ADV, the Commission will approve the Falmouth request as it applies to 840 CMR 17.04(6).
- 19.01(7)(a)(6) Exemption of the Board and INVESCO from 840 CMR 19.01(7)(a)(6) with respect to the management fees and the General Partner's Carried Interest to be received by the manager or the General Partner pursuant to the
- (a) Subscription Agreement,
 - (b) Agreement as defined in the side letter, and/or
 - (c) Manager's Investment Advisory Agreement with respect to the Board's commitments to the Partnerships –
- PERAC recognizes the fact that the market, at the present time, is such that fee limitations, as outlined in these Regulations, result in limiting the number of partnerships available to the retirement boards. Consequently, the Falmouth Retirement Board's request, as it applies to 840 CMR 19.01(7)(a)(6), is approved.
- 21.01(2) Exemption of the Board and INVESCO from 840 CMR 21.01(2), 21.01(3)(a),
21.01(3)(a) 21.01(4), and 21.01(5) to the extent as otherwise permitted under the applicable
21.01(4) agreement – These Regulations prohibit certain transactions as follows: 21.01(2)
21.01(5) prohibits the sale of securities not owned by the system at the time of the sale (short sales); 21.01(3)(a) permits the use of forward currency contracts in limited circumstances; 21.01(4) prohibits the use of call options; 21.01(5) prohibits the purchase of options other than as required to close out option positions. PERAC has received a letter dated August 22, 2000 from INVESCO that clarifies the possible use of options, futures, or other derivatives. In pertinent part, the letter states as follows: "Although the above referenced funds do not expect to use options, futures, or other derivatives other than infrequently, if at all, futures and/or options would be used only for nonspeculative true hedging purposes. In general, we would anticipate their use, if at all, for among other reasons to protect downside risk on public securities of companies distributed to the funds by the underlying portfolio funds we invest in and where a commitment to a fund was made in a non US currency to limit currency risk of the funds."

Falmouth Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all **Falmouth** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement benefits that were due each year.

Falmouth Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 1 - THE SYSTEM (Continued)

Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

Falmouth Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The **Falmouth** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

December 19, 1986

Rule Governing Creditable Service

“Any person who becomes a member, who was eligible to join the system on July 1, 1941, the effective date of the Falmouth Retirement System, or who was not eligible to join because of the type of employment, who claims any previous period of part-time, provisional, temporary, temporary-provisional, seasonal or intermittent employment or service shall be credited with an

Falmouth Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Rule Governing Creditable Service (continued)

accumulated total of actual time worked. The accumulated total shall be credited in full months and any fraction thereof shall be credited to the nearest full month. Nothing in this rule shall be construed to prevent any member from claiming creditable service under any other provisions of Sections one to twenty-eight inclusive of Chapter 32 of the General Laws.”

Minimum Annual Compensation and Minimum Hours

“In all cases involving part-time, provisional, temporary provisional or intermittent employment or service of any employee in this governmental unit, the board shall have and exercise full jurisdiction to determine such employee’s eligibility for membership; provided that any person holding a position for which the annual compensation is fixed in an amount of two hundred dollars or less, and/or the duties of such person require less than twenty hours, regularly, in the service of this governmental unit during the regular work week of permanent or temporary employment shall not be eligible for membership.”

Permanent - Intermittent Service

In all cases involving a part-time provisional, seasonal or intermittent employment or service of any employee, including such employment or service in a municipal office or position, the Board shall fix and determine the amount of creditable service provided that one full work week as defined for such position by a collective bargaining agreement, the Town of Falmouth Salary Administration Plan or Department of Education, equal one full work week of creditable service and that any lesser period shall receive the applicable percentage of creditable service; provided that in the case of Food Service Workers employed in the school lunch program and other full-time school department employees (except teachers), the Board shall credit as the equivalent of one year of service actual full-time service of not less than eight months, and provided further that in all other cases, the board shall credit as full time service (one year) all other actual full time service of not less than nine months, provided that the board shall credit as full time service not to exceed five years that period of time during which a reserve or permanent intermittent police officer or a reserve, permanent intermittent or call firefighter was on his respective list and was eligible for assignment to duty subsequent to his appointment; and, provided, further that such service as a permanent-intermittent or call fire-fighter shall be credited only if such permanent-intermittent or call fire-fighter was later appointed as a permanent member of the Fire Department.

Falmouth Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Part-Time Employee Membership Requirement

According to M.G.L., c.32, s.3(2)(d), “in all cases involving part-time, provisional, temporary, temporary provisional, seasonal or intermittent employment or service of any employee in any governmental unit, the Board shall have and exercise full jurisdiction to determine such employee’s eligibility for membership.”

Accordingly, on February 26, 1975, the Falmouth Retirement Board voted that in order to be eligible for membership in the Falmouth Contributory Retirement System, “the employee must work a minimum of 50% of a normal forty-hour work week, therefore 20 (twenty) hours.” If the employee does not work the minimum 20 hours per week, he or she is considered to be a “temporary, part-time employee who is not eligible for membership in this contributory retirement system”.

June 25, 1991

Members who have previous CETA employment on which no retirement deductions were taken due to ineligibility for membership at the time of that employment based on its temporary nature, will be allowed to pay late entry make-up payments and receive creditable service for such CETA employment. Excluded will be intermittent sporadic employment of limited duration and the type of service that would not create an expectation that he/she would become entitled to the right to membership in a Massachusetts retirement system.

May 18, 1993

Members re-depositing funds or purchasing service credit will be allowed to make payment in one lump sum or in scheduled installment payments made directly to the retirement system as approved by the retirement board. If installment payments are made, service credit will be applied to the member’s record upon final payment.

September 29, 1993

Members who are receiving partial workers’ compensation benefits and return to employment will be required to contribute to the system regardless of the number of hours employed and will receive full creditable service for such contributions. No contributions either from the member or governmental unit will be required with respect to the workers’ compensation benefits paid for partial incapacity.

February 14, 1994

Members who have been receiving workers’ compensation benefits and return to work under partial workers’ compensation benefits and part-time work shall have deductions made on the part-time employment compensation.

Falmouth Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

February 14, 1994

Paramedical and EMT Specialization Pay received by Town of Falmouth fire fighters is regular compensation.

March 11, 1999

Effective this day... any active member of the Falmouth Retirement System who can prove prior seasonal, temporary or otherwise non-eligible service as an employee of the Town of Falmouth will be allowed to purchase this type of service as long as documentation can be recovered to support this type of employment and the member is an active member of this system.

The following information will be required to support and calculate contributions owed, plus interest, and service rendered: total income gained through this employment; hourly wage received; hours worked; period of time covered. The calculation of creditable service will be based on actual hours worked, the sum of which is to be either reported to this office through payroll records and/or determined using the employees hourly wage as submitted to this office by the Treasurers' records or computer payroll printout indicating total income paid for the period of time worked.

Falmouth Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the Town Accountant who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

| | | | |
|--------------------|---------------------|-------|---------------------------------------|
| Ex officio Member: | Jacqueline Callahan | | |
| Appointed Member: | Heather Paine | Term: | expired 1/9/02 |
| Appointed Member: | Robert Whritenour | Term: | 3/25/02 - indefinite |
| Elected Member: | Arthur Corey, Jr. | Term: | 11/1/98 - 10/31/01 |
| Elected Member: | Robert Nolan | Term: | 11/1/01 - 6/15/02 |
| Elected Member: | Margeret Correllus | Term: | 8/2/02 - 10/31/04, 11/1/04 - 10/31/07 |
| Elected Member: | Paul Brodeur | Term: | 12/4/99 - 12/3/02, 12/4/02 - 12/3/05 |
| Appointed Member: | Richard Kendall | Term: | 5/8/98 - 5/7/01, 5/8/01 - 5/7/03 |
| Appointed Member: | Steven DeBellis | Term: | 9/2/03 – 9/1/04 |
| Appointed Member: | Vacant | Term: | 9/2/04 - present |

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

| | | |
|------------------------|---|--|
| Treasurer - Custodian: |) | |
| Ex officio Member: |) | \$30,000,000 |
| Elected Member: |) | Travelers (\$10M Primary) |
| Appointed Member: |) | Federal Insurance Co. (Chubb Group) (\$10M Excess of Primary) |
| Staff Employee: |) | Executive Risk Indemnity, Inc. (\$10M Excess of \$20M) |

Falmouth Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the **Public Employee Retirement Administration Commission** as of **January 1, 2004**.

| | |
|---|----------------------------|
| The actuarial liability for active members was | \$51,714,642 |
| The actuarial liability for retired and inactive members was | <u>42,894,195</u> |
| The total actuarial liability was | 94,608,837 |
| System assets as of that date were | <u>62,841,919</u> |
| The unfunded actuarial liability was | <u>\$31,766,918</u> |
| | |
| The ratio of system's assets to total actuarial liability was | 66.4% |
| As of that date the total covered employee payroll was | \$22,751,210 |

The normal cost for employees on that date was 8.10% of payroll

The normal cost for the employer was 6.70% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.00% per annum

Rate of Salary Increase: 5.00% per annum-varies by service

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2004

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Cov. Payroll ((b-a)/c) |
|--------------------------------|--|--|--------------------------------------|----------------------------|-----------------------------|--|
| 1/1/2004 | \$ 62,841,919 | \$ 94,608,837 | \$ 31,766,918 | 66.4% | \$ 22,751,210 | 139.63% |
| 1/1/2001 | \$ 56,521,082 | \$ 74,036,963 | \$ 17,515,881 | 76.3% | \$ 18,474,744 | 94.81% |
| 1/1/1998 | \$ 45,101,335 | \$ 58,684,968 | \$ 13,583,633 | 76.9% | \$ 15,901,405 | 85.42% |
| 1/1/1995 | \$ 23,884,269 | \$ 40,103,580 | \$ 16,219,311 | 59.6% | \$ 13,078,738 | 124.01% |

Falmouth Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 6 - MEMBERSHIP EXHIBIT

| Retirement in Past Years | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Superannuation | 18 | 10 | 12 | 9 | * | * | * | 9 | 11 | 21 |
| Ordinary Disability | 1 | 0 | 0 | 0 | * | * | * | 0 | 3 | 0 |
| Accidental Disability | 0 | 0 | 2 | 0 | * | * | * | 3 | 3 | 0 |
| Total Retirements | 19 | 10 | 14 | 9 | * | * | * | 12 | 17 | 21 |
| | | | | | | | | | | |
| Total Retirees, Beneficiaries and Survivors | 234 | 232 | 240 | 244 | * | * | 271 | 276 | 286 | 321 |
| | | | | | | | | | | |
| Total Active Members | 530 | 547 | 535 | 538 | * | * | 659 | 539 | 591 | 635 |
| | | | | | | | | | | |
| Pension Payments | | | | | | | | | | |
| Superannuation | \$1,130,123 | \$1,253,807 | \$1,433,716 | \$1,556,722 | \$1,696,537 | \$1,985,969 | \$2,188,528 | \$2,310,705 | \$2,430,921 | \$2,925,546 |
| Survivor/Beneficiary Payments | 15,033 | 109,920 | 100,490 | 100,177 | 131,838 | 138,094 | 117,624 | 113,416 | 148,825 | 171,280 |
| Ordinary Disability | 20,313 | 22,932 | 23,022 | 23,472 | 23,724 | 28,057 | 63,259 | 57,946 | 128,134 | 129,813 |
| Accidental Disability | 490,718 | 472,920 | 508,760 | 498,758 | 494,370 | 504,653 | 631,253 | 620,621 | 698,116 | 855,683 |
| Other | 87,748 | 90,248 | 92,922 | 84,530 | 60,806 | 53,375 | 77,206 | 78,578 | 84,071 | 99,629 |
| Total Payments for Year | <u>\$1,743,935</u> | <u>\$1,949,827</u> | <u>\$2,158,910</u> | <u>\$2,263,659</u> | <u>\$2,407,274</u> | <u>\$2,710,148</u> | <u>\$3,077,871</u> | <u>\$3,181,266</u> | <u>\$3,490,067</u> | <u>\$4,181,951</u> |
| | | | | | | | | | | |
| * data unavailable | | | | | | | | | | |

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